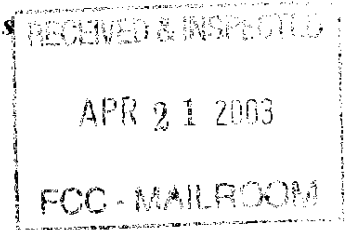


*Bryan J. Leithiser  
Assistant Director  
Reading Public Library  
100 South Fifth Street  
Reading, Pennsylvania 19602*

*Telephone: 610-655-6350  
FAX: 610-478-9035  
www.reading.lib.pa.us  
leith@reading.lib.pa.us*



**Date:** April 15, 2003

**To:** FCC  
Office of the Secretary  
445-12<sup>th</sup> Street SW  
Washington, DC 20554

**Regarding:** CC Docket Numbers 96-45 and 97-21

Applicant Name: Reading Public Library  
Form 471 Application Number 327133  
Billed Entity Number: 126266  
Funding Request Number: 877067

Dear Sir or Madam:

I would like to appeal my request for discounts that were denied by the Schools and Libraries Division for the funding year 2002-2003. I requested discounts for payment on a leasing agreement for equipment to be used for end-to-end service at twenty-three libraries for a wide area network. The equipment was installed by and leased from our telecommunications provider (lease agreement enclosed). This equipment is essential to providing Internet service to those library sites. The lease for the equipment is a five year lease and meets all criteria for discounts. All entities using this equipment are eligible entities and the equipment does not transfer ownership.

I have enclosed all correspondence I have had with the SLD concerning this matter. They have denied my claim on the basis that I did not "demonstrate that the equipment met the criteria of end-to-end telecommunications services." Our telecommunication provider installed this equipment and the Internet services to these sites would not be possible without the equipment.

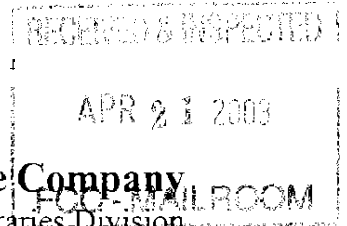
I **look** forward to hearing from you in the near future.

Sincerely,

Bryan Leithiser



Universal Service Administrative Company  
Schools & Libraries Division



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**Administrator's Decision on Appeal - Funding Year 2002-2003**

April 10, 2003

Mr. Bryan Leithiser  
RE: Reading Public Library  
100 South Fifth Street  
Reading, PA 19602

Re: Hilled Entity Number: 126266  
471 Application Number: 327133  
Funding Request Number(s): 877067  
Your Correspondence Dated: July 24, 2002

After thorough review and investigation of all relevant facts, the Schools and Libraries Division ("SLD") of the Universal Service Administrative Company ("USAC") has made its decision in regard to your appeal of SLD's Year 2002 Funding Commitment Decision for the Application Number indicated above. This letter explains the basis of SLD's decision. The date of this letter begins the 60-day time period for appealing this decision to the Federal Communications Commission ("FCC"). *if your letter of appeal included more than one Application Number, please note that for each application for which an appeal is submitted, a separate letter is sent.*

Funding Request Number: 877067  
Decision on Appeal: **Denied**  
Explanation:

- Your appeal letter states that this request is for recurring telecommunications service charges on a five-year leased agreement for equipment/maintenance, and that the provider is Verizon Credit Incorporated. The lease does not transfer the ownership of any equipment to the libraries. Therefore, the agreement does not represent a purchase.
- After a thorough review of your appeal, it was determined that you did not demonstrate that the equipment met the criteria of end-to-end telecommunications services. Therefore, the appeal is denied.
- Since your Form 471 included some internal connections services: data equipment and associated maintenance within your Block 5 request for priority one services, your Form 471 request has been re-categorized as a request for internal

connection services. For Funding Year 2002, there are not sufficient funds to provide internal connections discounts to applicants at your discount rate. Your discount eligibility is **47%**. Consequently, SLD denies your appeal because given the demand, the funding cap will not provide for internal connections at your approved discount level to be funded.

- The services you listed as telecommunications on your Form **471** included **some** internal connections services. FCC rules require that where demand for funding exceeds available support, first priority be given to requests for telecommunications services and Internet access. See 47 C.F.R. §54.507(g)(1)(i) FCC rules further require that requests for internal connections be given second priority, and be funded only if funds remain after support has been provided for telecommunications and Internet access through all discount levels in a funding year. See **47** C.F.R. § 54.507(g)(1)(ii). Where demand **for** discounts for internal connections exceeds available support, FCC rules require funding be awarded first to applicants eligible for a ninety percent discount level, and then at each descending single discount percentage until funds are depleted. See 47 C.F.R. § 54.507(g)(1)(iii). Program procedures further require that funding requests for telecommunications/Internet access services that include internal connections services be re categorized as internal connections services to prevent priority two services (internal connections) being treated as priority one services (telecommunications and Internet access services) for funding decisions.

If you believe there is a basis for further examination of your application, you may file an appeal with the Federal Communications Commission (FCC) via United States Postal Service: FCC, Office of the Secretary, 445-12<sup>th</sup> Street SW, Washington, DC **20554**. If you are submitting your appeal to the FCC by other than United States Postal Service, check the SLD web site for more information. Please reference CC Docket Nos. **96-45** and 97-21 on the first page of your appeal. **The FCC must RECEIVE your appeal WITHIN 60 DAYS OF THE ABOVE DATE ON THIS LETTER for your appeal to be filed in a timely fashion.** Further information and new options for filing an appeal directly with the FCC can be found in the "Appeals Procedure" posted in the Reference Area of the SLD web site, [www.sl.universalservice.org](http://www.sl.universalservice.org).

We thank you for your continued support, patience, and cooperation during the appeal process.

Schools and Libraries Division  
Universal Service Administrative Company

Letter of Appeal to Schools and Libraries Division in Response to:

Funding Commitment Decision Letter, Funding Year **2002** Dated July **16, 2002**

Applicant Name: Reading Public Library

Form **471** Application Number: **327133**

**Billed** Entity Number: **126266**

Funding Request Number: **877067**

**CONTACT INFORMATION**

Bryan Leithiser

Reading Public Library

100 South Fifth Street

Reading, **PA 19602**

Telephone: **610-655-6350**

FAX: **610-478-9035**

Email: [leith@reading.lib.pa.us](mailto:leith@reading.lib.pa.us)

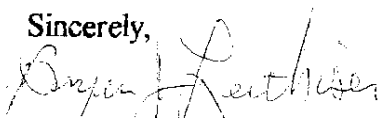
Dear Sir or Madam,

Your Funding Commitment Decision Letter dated **July 16, 2002** states that our request for discounts for payments on leased equipment for our wide area **network** was turned down in Funding Request Number **877067**. In that section of the letter it is stated that the "Category of service was changed **by** the SLD from Telecommunications to Internal Connections" (**see** attached Funding Commitment Decision Letter, page **7 of 7**). **This is an error. This** request is for the **recurring** charges incurred for Telecommunications Service on a five year leased agreement on equipment and maintenance of our wide **area network** from Verizon Credit Inc (see attached Master Equipment Lease Agreement). **This** service provides Internet and integrated library database services for the twenty-three member **libraries** of our consortium located throughout the Berks County area. The lease does not transfer the ownership of any equipment to those libraries. This then constitutes a lease not a purchase. These charges are therefore eligible services. In addition, the Funding Commitment Letter states, "The funding cap **will** not provide **90%** discount to be **funded.**" **As** part of the "Telecommunications service" **shared** among our automation consortium, the discount rate I requested for this service was for forty-eight percent (**48%**), (see attached Form **471**, Block **5**, page 8 of **9**).

To summarize our position, a forty-eight percent (**48%**) discount for leased telecommunications services for a wide area network providing Internet to remote libraries should be eligible for Erate discounts. There is no transfer of ownership of any equipment and therefore is not an "Internal Connection" but a "Telecommunications service."

Please contact me immediately to discuss these points so that we can rectify **this** situation.

Sincerely,



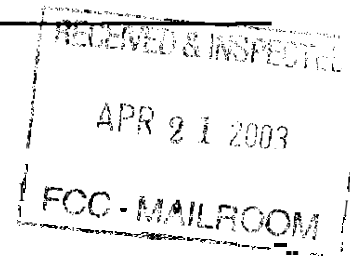
Bryan Leithiser



**Universal Service Administrative Company**  
Schools & Libraries Division

July 29, 2002

Bryan Leithiser  
Reading Public Library  
100 South Fifth Street  
Reading, PA 19602



Bryan Leithiser

The Schools and Libraries Division of the Universal Service Administrative Company has received your correspondence dated July 24, 2002 on July 24, 2002 regarding the 2002-2003 hiding decision on your application number 327133. Here are the steps that will now follow:

1. We will review your correspondence carefully to identify the specific issue(s) it raises
2. We will consult the program integrity assurance records and all supporting documentation for the application. Our goal is to determine whether the program rules were administered appropriately in processing your application.
3. Once the review process is completed we will respond in writing and state whether your appeal is approved, denied or approved in **part**. We will then follow with a funding commitment decision letter for any approved appeal resulting in additional discounts for your application. Funds have been set aside to implement funding decisions for appeals approved by the SLD and/or the Federal Communications Commission.

We have begun in-depth review ~~of~~ the appeals we have received, and ~~our~~ goal is to respond to you as promptly as possible. We thank you in advance for your patience as we handle your case with the care and attention it deserves.

Schools and Libraries Division  
Universal Service Administrative Company

**LETTER OF APPEAL**

Schools and Libraries Division

**Box 125** – Correspondence Unit

80 South Jefferson Road

Whippany, NJ 07981

**CONTACT INFORMATION**

Bryan Leithiser

Reading Public Library

100 South **Fifth** Street

Reading, **PA** 19602

Telephone- 610-655-6350

FAX 610-478-9035

E m d : [leith@reading.lib.pa.us](mailto:leith@reading.lib.pa.us)

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Reading Public Library  
100 South Fifth Street  
Reading, PA 19602  
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TAX: 610-478-9035  
leith@reading.lib.pa.us

February 19, 2003

TO: Jose Diaz  
Schools & Libraries Division  
Program Compliance

Subject: E-rate appeal, application # 327133, FRN#877067

Dear Mr. Diaz,

Pursuant to our telephone conversation on Wednesday, February 19, 2003 this letter will answer all questions in the Email you sent to me that day and other questions you had concerning our contract with Verizon. A signed copy of your Email with all questions answered accompanies this letter. With regard to your questions concerning our contract with Verizon for leased equipment the explanation is as follows.

The contract I sent to the SLD on July 24, 2002 was a copy of our lease agreement with Verizon for equipment for our frame relay service. This is an agreement to lease the equipment needed at all end-to-end points for data service within our network. This service is needed to provide all of the libraries with Internet service and connectivity to the shared library database.

With regard to the title of the agreement "Master Equipment Lease-Purchase Agreement", this is a standard contract used by Verizon for all of their customers whether they are leasing or purchasing the equipment. In our contract there is no intent to purchase the equipment installed and we will not exercise any purchase options at the end of the agreement. With regard to subsection "2" on page two of the agreement, again this is standard language and is not intended to be an agreement to purchase the equipment. All equipment use in this contract remains the property of Verizon and as stated in answers to the questions in your Email. Verizon is responsible for all replacement and maintenance of the equipment.

Sincerely,



Bryan Leithiser  
Assistant Director

From: Jose Diaz [JDIAZ@neca.org]  
Sent: Wednesday, February '9, 2003 12:16 PM  
To: LEITH@reading.lib.pa.us  
Cc: Jose Diaz  
Subject: E-rate appeal, application # 327133, FRN#877067

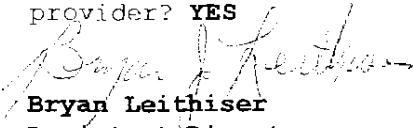
February 19, 2003

Bryan Leithiser  
Reading Public Library  
Mr. Leithiser,

My name is ,JoseDiaz. I am processing the appeal for your Fund-Year 2002 application # 327133. I need the following information:

Hased on the documentation that you submitted via fax dated May 23, 2002 FRN 877067 includes charges associated with on-premise equipment. The FCC has indicated that equipment at the applicant site is presumed to be Internal Connections, but that this presumption can be overcome in certain circumstances. In order for us to evaluate your request, please provide the following information. Please be sure to sign your response and list your title.

1. Is the equipment directly related to the end-to-end provision of Telecommunications or Internet Access services? **YES**
2. Will the same service provider that provides the associated Telecommunications Service or Internet Access provide the leased equipment? **YES**
3. Will ownership of the equipment transfer to the library in the future? **NO**
4. Does the relevant contract or lease include an option for the applicant to purchase the **equipment**? **NO**
5. Does the relevant contract or lease stipulate that the applicant will **have** exclusive use of the equipment? **YES**
6. Will the leased equipment at the applicant site be used for any purpose other than receipt of the eligible Telecommunications Services or Internet access of which it is a part? **NO**
7. Will the library's internal data communications network function without dependence on the equipment? **NO**
8. Does responsibility for maintaining the equipment rest with the service provider? **YES**

  
**Bryan Leithiser**  
**Assistant Director**

This information must be submitted within 7 calendar days. If you have any further questions, please do not hesitate to contact me.  
Thank you for your **time**

Jose Diaz  
Schools & Libraries Division  
Program Compliance  
Voice: 973288428541  
Fax: 973259926525  
E?mail: jdiaz@sl.universalservice.org



RECEIVED  
verizon  
APR 21 2003  
FCC-MAILROOM

**VERIZON CREDIT INC.**  
**MASTER EQUIPMENT LEASE-PURCHASE AGREEMENT**  
(For Use with State and Local Governments)

Master Agreement Daic: 02/26/01

Reading Public Library

(Lessee)

**VERIZON CREDIT INC.** (Lessor)

Address: 100 South 5th Street  
Reading, PA 19602

Phone # (610) 655-6350

Address: 1901 US Highway 301 N., Suite 270A  
Tampa, FL 33619

Phone # (813) 620-6700

For and in consideration of the mutual promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**1. Definitions.** Unless the context otherwise clearly requires, the following terms shall have the respective meanings set forth below for all purposes of this Agreement, each Schedule and each Lease:

**"Additional Payments"** means any amounts (other than Rental Payments) required to be paid by Lessee pursuant to the terms of each Lease.

**"Agreement"** means this Master Equipment Lease-Purchase Agreement, as supplemented and amended from time to time as herein provided.

**"Certificate of Acceptance"** means, with respect to each Schedule, a certificate that Lessee delivers to Lessor upon Lessee's receipt and acceptance of the Equipment described in such Schedule and pursuant to which Lessor is directed by Lessee to, and against which Lessor does, allocate funds to pay the Purchase Price for such Equipment. Each Certificate of Acceptance with respect to a Schedule shall be in substantially the form attached as *Exhibit 5* to such Schedule, shall be completed, executed and delivered by Lessee to Lessor as provided in Paragraph 9 of this Agreement and shall have a Rental Payment Schedule and, with respect to a Tax-Exempt Lease only, R.S. information reporting form attached thereto.

**"Code"** means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations promulgated or in effect thereunder.

**"Equipment"** means (a) the equipment, vehicles, computer hardware and software (subject to any applicable software license agreement) and other tangible and intangible personal property identified in each Schedule, (b) any property required in substitution, renewal, repair or replacement for or as additions, improvements, accessions and accumulations to any of such equipment, vehicles, computer hardware and software and other personal property and (c) any accessories, parts and appurtenances appertaining or attached to any of such equipment, vehicles, computer hardware and software and other personal property or from time to time incorporated therein or installed thereon.

**"Event of Default"** is defined in Paragraph 24 of this Agreement.

**"Even; or Nonappropriation"** means a nonrenewal of the term of a Lease by Lessee, determined by the failure or refusal of the governing body of Lessee to appropriate monies sufficient to pay the Rental Payments and reasonably estimated Additional Payments for the next succeeding Renewal Term as provided in such Lease.

**"Fiscal Period"** means the annual or biennial period used from time to time by Lessee for its financial accounting and budgeting purposes.

**"Initial Term"** means, with respect to each Lease, the period determined as provided in Paragraph 3 hereof.

**"Lease"** means, collectively, (a) a Schedule and the terms of this Agreement which are incorporated by reference into such Schedule, (b) the Certificate of Acceptance relating to such Schedule, together with the Attachments to such Certificate of Acceptance, and (c) each Addendum that describes this Agreement or the Lease to which such Addendum relates.

**"Legally Available Funds"** means funds that the governing body of Lessee duly appropriates or are otherwise legally available for the purpose of making Payments under each Lease.

**"Lessee"** means the entity referred to as Lessee in the heading for this Agreement.

**"Lessor"** means (a) the entity referred to as Lessor in the heading for this Agreement or (b) any assignee or transferee of any right, title or interest of Lessor in and to any Lease (including Rental Payments and the Equipment thereunder) pursuant to Paragraph 27 hereof, but does not include any entity solely by reason of that entity retaining or assuming any obligation of Lessor to perform under any Lease.

**"Net Proceeds"** means the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including attorneys' fees) incurred in the collection of such claim or award.

**"Payments"** means, with respect to each Lease, the Rental Payments and the Additional Payments thereunder, collectively.

**"Prepayment Option Amount"** means, with respect to each Lease, the amount determined pursuant to such Lease at which Lessee may prepay the aggregate principal component of Rental Payments thereunder on any Rental Payment date provided in such Lease for which a Prepayment Option Amount is identified under the column titled "PREPAYMENT OPTION AMOUNT" on the related Rental Payment Schedule prior to the scheduled payment of all Rental Payments to be paid under such Lease for the Equipment therein identified.

**"Purchase Price"** means, with respect to each Schedule, the total cost of the Equipment described in the Certificate of

Acceptance related to such Schedule, including all delivery charges, installation charges, capitalizable consulting and training fees, legal fees, financing costs, motor vehicle registration fees, recording and filing fees and other costs necessary to vest Sill, clear legal title to such Equipment in Lessee, subject to the security interest granted to and retained by Lessor as set forth in the related Lease, and otherwise incurred in connection with the financing provided by the lease-purchase of the Equipment as provided in such Lease.

"*Renewal Term*" means, with respect to each Lease, each successive period, in addition to the applicable Initial Term, that is coextensive with Lessee's Fiscal Period and for which Lessee has extended the term of such Lease as provided therein.

"*Rental Payments*" means, with respect to each Lease, the amounts (allocable with respect to a Tax-Exempt Lease to a principal component and an interest component) payable by Lessee pursuant to such Lease, as payments for the installment financing of the Purchase Price for the Equipment as set forth in such Lease.

"*Rental Payment Schedule*" means, with respect to each Lease, the schedule of Rental Payments due with respect to the funds allocated for the payment of the Purchase Price under such Lease by Lessor at Lessee's direction pursuant to the related Certificate of Acceptance, calculated as provided in the related Schedule and attached as *Attachment 1* to such Certificate of Acceptance.

"*Schedule*" means a Lease Schedule that may be executed by Lessor and Lessee from time to time pursuant to this Agreement and, in the case of a Tax-Exempt Lease, in substantially the form attached to this Agreement as *Schedule A-1* or, in the case of a Taxable Lease, in substantially the form attached to this Agreement as *Schedule A-2*, together in each case with the Exhibit attached to each such Schedule.

"*Schedule Funding Date*" means the date identified by Lessor in its Acknowledgment to a Certificate of Acceptance on which Lessor allocated funds for the payment of the Purchase Price under the related Schedule at Lessee's direction.

"*State*" means the State under whose laws Lessee exists or is organized.

"*Taxable Lease*" means a Lease that is not a Tax-Exempt Lease.

"*Tax-Exempt Lease*" means a Lease for which the interest component of Rental Payments is excludible from gross income of the owner or owners thereof for federal income tax purposes.

"*Vendor*" means the manufacturer, seller or supplier of the Equipment and the agents or dealers of the manufacturer, seller or supplier from whom Lessee acquired and Lessor financed the Equipment pursuant to the applicable Schedule.

**2. Agreement to Lease-Purchase Equipment Under Each Lease.** Lessee hereby agrees to acquire, purchase and lease all the Equipment identified in each Schedule that may from time to time be executed by Lessor and Lessee pursuant hereto, and Lessor hereby agrees to lease the Equipment under each Schedule to Lessee, all on the terms and conditions set forth in this Agreement and the related Lease. Each Schedule executed and delivered by Lessor and Lessee pursuant to this Agreement and the related Certificate of Acceptance (including the Attachments hereto) shall constitute a separate and independent Lease.

This Agreement is not a commitment by Lessor to Lessee or to any Vendor to enter into any Schedule not currently in effect unless Lessee shall execute and deliver to Lessor a completed Schedule together with all Exhibits thereto each in form and substance and with terms acceptable to Lessor (in the exercise of its sole discretion) and only so long as the financial condition or affairs of Lessee shall not have changed so as, in the sole opinion of Lessor, to impair the credit risk to Lessor of the transaction contemplated by such Schedule.

Each Schedule, upon its execution by Lessor and Lessee, shall constitute a commitment by Lessor to finance Lessee's in-

stallment purchase and leasing of the Equipment therein described on the terms and subject to the conditions provided in such Schedule, and shall constitute a commitment by Lessee to obtain such financing from Lessor, but nothing in this Agreement or in such Schedule shall obligate Lessor to allocate funds for the payment of the Purchase Price under the related Lease as directed in any Certificate of Acceptance unless Lessee shall complete, execute and deliver to Lessor a Certificate of Acceptance with respect to Equipment at a Purchase Price and with Vendors acceptable to Lessor (in the exercise of its sole discretion) and only so long as the financial condition or affairs of Lessee shall not have changed so as, in the sole opinion of Lessor, to impair the credit risk to Lessor of the transaction contemplated by such Certificate of Acceptance; **provided, however**, that Lessor's approval of or failure to object to any Vendor shall not constitute or imply any representation by Lessor with respect to the quality or reliability of such Vendor.

***This Agreement and any Schedule are, and in the case of a Certificate of Acceptance may be, entered into solely for the benefit of Lessor and Lessee and not for the benefit of any third party including (without limitation) any Vendors.***

**3. Term.** The term of this Agreement begins as of the Master Lease Date set forth above and will continue so long as any amount remains unpaid under a Lease. The Initial Term of each Lease begins as of the Schedule Funding Date identified by Lessor in the Certificate of Acceptance relating to such Lease and expires at midnight on the last day of Lessee's current Fiscal Period during which such Schedule Funding Date occurs. Beginning at the expiration of the applicable Initial Term, the term of each Lease shall automatically be extended upon the successive appropriation by Lessee's governing body of amounts sufficient to pay Rental Payments and reasonably estimated Additional Payments during the next succeeding Renewal Term in the number of Renewal Terms, each coextensive with Lessee's Fiscal Period, as are necessary for all Rental Payments identified in the pertinent Rental Payment Schedule to be paid in full, unless such Lease is terminated as provided therein.

The term of each Lease will expire upon the first to occur of

(2) the expiration of the Initial Term or any Renewal Term under such Lease during which an Event of Nonappropriation occurs.

(h) the day after the last scheduled Rental Payment under such Lease is paid in full,

(c) the day after the Prepayment Option Amount under such Lease is paid in full or

(d) an Event of Default under such Lease and a termination of Lessee's right thereunder as provided therein.

**4. Rental Payments.** Lessee hereby agrees to pay Rental Payments for the Equipment identified in each Lease (but only from Legally Available Funds) to Lessor at Lessor's mailing address set forth above (or at such other address as may be designated from time to time pursuant to Paragraph 27 or 30 hereof) in the amounts provided in the pertinent Rental Payment Schedule. Rental Payments made by check will be accepted subject to collection.

***Lessee's obligation to make Rental Payments and to pay any Additional Payments payable under each Lease constitutes a current obligation payable exclusively from Legally Available Funds and shall not be construed to be an indebtedness within the meaning of any applicable constitutional or statutory limitation or requirement. Lessee has not pledged its full faith and credit or its taxing power to make any Rental Payments or Additional Payments under any Lease.***

**5. Agreement to Seek Appropriations; Notice of Event of Nonappropriation.** Lessee agrees that its primary business official will do all things lawfully within such official's power (a) to include amounts to make Payments under each Lease in each annual or biennial budget (as appropriate) to be submitted to Lessee's governing body and (b) to use best efforts to obtain and maintain funds from which Payments under each Lease may be

made during each Fiscal Period for which amounts have been appropriated to make Payments. Lessee hereby agrees to notify Lessor immediately (and in no case later than 30 days prior to the last day of its then current Fiscal Period) of the occurrence of an Event of Nonappropriation under any Lease.

**6. Prepayment Option.** Lessee is granted the option pursuant to the applicable Lease to prepay the aggregate principal component of Rental Payments (in whole but not in part) identified in such Lease, prior to the scheduled payment of the Rental Payments in full pursuant to such Lease, on each Rental Payment date for which a Prepayment Option Amount is identified under the column titled "PREPAYMENT OPTION AMOUNT" in the applicable Rental Payment Schedule. Such prepayment amount shall equal the Prepayment Option Amount (assuming that all Rental Payments and Additional Payments due under such Lease on and prior to the prepayment date have been paid) shown for the Rental Payment date on which such prepayment is to be effective under the column titled "PREPAYMENT OPTION AMOUNT" in the applicable Rental Payment Schedule. The aggregate principal component of Rental Payments may not be prepaid in whole or in part on any day prior to the first Rental Payment Date for which a "PREPAYMENT OPTION AMOUNT" is shown in the applicable Rental Payment Schedule, and the Prepayment Option Amount shown on any Rental Payment Schedule may include an amount representing premium.

To exercise the option provided in this Paragraph 6 and granted in a Lease, Lessee shall give Lessor a written notice exercising such option and designating the affected Lease, the Rental Payment date on which such prepayment is to be effective and the applicable Prepayment Option Amount, which notice shall be delivered to Lessor at least 30 days in advance of the proposed prepayment date. Such prepayment option may be exercised by Lessee with respect to a Lease whether or not one or more Events of Default have occurred and are then continuing under such Lease at the time of such exercise; provided, however, that the prepayment of such principal component of Rental Payments under the applicable Lease upon the exercise of such option during the continuance of an Event of Default thereunder shall not limit, reduce or otherwise affect liabilities or obligation that Lessee has incurred as a result of such Event of Default or otherwise terminate the term of the affected Lease notwithstanding anything in such Lease to the contrary.

Immediately upon any such prepayment being made, Lessor shall execute all documents reasonably necessary to confirm to Lessee title in and to the Equipment under the affected Lease free and clear of any lien, encumbrance or other interest created by Lessor, but without warranties and in "where-is, as-is" condition, and release Lessor's security interest in such Equipment and shall deliver such documents to Lessee. Lessor shall further cooperate in providing for the filing of any necessary releases, termination statements or other similar documents and the release of certificates of title or certificates of origin to Lessee.

**7. Essentiality.** Lessee's present intention is to make Rental Payments and Additional Payments under each Lease for the Initial Term and all Renewal Terms applicable thereto as long as it has Legally Available Funds. In that regard, Lessee represents with respect to each Lease that (a) the use and operation of the Equipment under each Lease is essential to its proper, efficient and economic governmental operation and (b) the functions performed by the Equipment under each Lease could not be transferred to other equipment available for its use.

**8. Nonsubstitution.** If Lessor terminates a Lease pursuant to Paragraph 25 or an Event of Nonappropriation occurs with respect to a Lease, Lessee agrees, to the extent not prohibited by law, not to purchase, lease, rent or otherwise acquire equipment performing functions similar to those performed by the Equipment described in such Lease or obtain from any source the services or information that the Equipment described in such Lease was to perform or provide, in each case for a period equal to the shorter of (a) the longest period (if any) permitted by State

law for such purpose or (b) 360 days after such termination or occurrence.

**9. Delivery and Installation.** Lessee shall select the type, quantity and Vendor of each item of Equipment designated in a Schedule. Once Lessor and Lessee have executed the related Schedule, Lessee (as Lessor's agent for this purpose) shall then order the Equipment identified in such Lease from such Vendor. Any existing purchase order at the time a Schedule is executed for any portion of the Equipment therein identified and any purchase order thereafter executed shall be deemed to be executed by Lessee in its capacity as Lessor's agent for purposes of such Schedule. Lessor shall have no liability for any delay in delivery or failure by the Vendor to deliver any Equipment under any Schedule or to fill any purchase order or meet the conditions thereof, Lessee, at its expense, will pay or cause the Vendor to pay all transportation, packing, taxes, duties, insurance, installation, testing and other charges relating to the Equipment under each Schedule. As soon as practicable after Lessee's receipt and installation of all Equipment identified in a Schedule, Lessee shall deliver to Lessor a Certificate of Acceptance relating thereto. Execution of a Certificate of Acceptance with respect to the Equipment identified in a Schedule by any employee, official or agent of Lessee having authority in the premises or having managerial, supervisory or procurement duties with respect to equipment of the same general type as the Equipment described in such Certificate of Acceptance shall constitute acceptance of such Equipment on behalf of Lessee. If Lessee delivers a completed and executed Certificate of Acceptance to Lessor that is in form and substance acceptable to Lessor and satisfies the conditions for allocation of funds for the payment of the Purchase Price under the related Lease, including those provided in the third paragraph of Paragraph 2 of this Agreement, Lessor shall within 5 business days allocate such funds as directed by Lessee in such Certificate of Acceptance, complete and execute the Acknowledgment of Lessor included in such Certificate of Acceptance and calculate and prepare the Rental Payment Schedule to be attached to such Certificate of Acceptance all of which shall constitute and be part of the related Lease.

Lessee understands and agrees that neither the Vendor of any Equipment under any Schedule or related purchase order, nor any salesman or other agent of any such Vendor, is an agent of Lessor. No salesman or agent of the Vendor of any Equipment under any Schedule or related purchase order is authorized to waive or alter any term or condition of any such Schedule or related purchase order, and no representation as to Equipment or any other matter by the Vendor of any Equipment under any Schedule or related purchase order shall in any way affect Lessee's duty to pay the Rental Payments under the related Lease and perform its other obligations as set forth in such Lease. Lessee hereby acknowledges that it has or will have selected the Equipment identified in each Schedule using its own criteria and not in reliance on any representations of Lessor.

**10. Disclaimer of Warranties.** LESSOR, NOT BEING THE MANUFACTURER, SELLER OR SUPPLIER OF ANY OF THE EQUIPMENT UNDER ANY SCHEDULE, NOR A DEALER IN ANY OF SUCH EQUIPMENT, HAS NOT MADE AND DOES NOT MAKE ANY WARRANTY, REPRESENTATION OR COVENANT, EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING BUT NOT LIMITED TO: THE MERCHANTABILITY OF THE EQUIPMENT OR ITS FITNESS FOR ANY PARTICULAR PURPOSE, THE DESIGN OR CONDITION OF THE EQUIPMENT, THE QUALITY OR CAPACITY OF THE EQUIPMENT, THE WORKMANSHIP IN THE EQUIPMENT, COMPLIANCE OF THE EQUIPMENT WITH THE REQUIREMENT OF ANY LAW, RULE, SPECIFICATION OR CONTRACT PERTAINING THERETO, PATENT INFRINGEMENT OR LATENT DEFECTS. NOTHING HEREIN SHALL MODIFY LESSEE'S RIGHTS AGAINST THE VENDOR OF ANY EQUIPMENT. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. Lessee further agrees, regardless of cause, not to assert any claim whatsoever

ever against Lessor for any direct, indirect, consequential, incidental or special damages or loss of any classification. Lessor shall have no obligation to install, erect, test, adjust, service or maintain any Equipment under any Lease. Lessee shall look solely to the manufacturer, seller and/or supplier for any and all claims related to any and all of the Equipment. **LESSEE ACQUIRES, PURCHASES AND LEASES THE EQUIPMENT "WHERE-IS, AS IS" AND "WITH ALL FAULTS."**

Lessor hereby acknowledges that, so long as no Event of Default or Event of Nonappropriation has occurred and is continuing under a Lease, the warranties (if any) of the manufacturer, seller and/or supplier of the Equipment under such Lease are for the benefit of Lessee.

**11. Title to Equipment** During the term of each Lease, title to the Equipment identified therein shall be vested in Lessee, subject to the rights of Lessor under such Lease, unless Lessor terminates such Lease pursuant to Paragraph 25 hereof as provided in such Lease or an Event of Nonappropriation occurs with respect to such Lease, in which event title to the Equipment identified in such Lease shall immediately vest in Lessor free and clear of any right, title or interest of Lessee. Lessee, at its expense, will protect and defend Lessee's title to the Equipment identified in each Lease and Lessor's rights and interests therein and will keep the Equipment under each Lease free and clear from any and all claims: liens, encumbrances and legal processes of Lessee's creditors and other persons. All items of Equipment shall at all times be and remain personal property notwithstanding that any such Equipment may now or hereafter be affixed to realty.

**12. Tax Covenants Applicable Only to Tax-Exempt Leases; Tax Indemnity Payments.** Lessee agrees that it will not take any action that may cause the interest component of Rental Payment under any Tax-Exempt Lease to be or to become includible in the gross income of the owner or owners thereof for federal income tax purposes, nor will it omit to take or cause to be taken, in a timely manner, any action, which omission may cause the interest component of Rental Payments under any Tax-Exempt Lease to be or to become includible in the gross income of the owner or owners thereof for federal income tax purposes. Lessee agrees to execute and deliver to Lessor, upon Lessor's request, a tax certificate and agreement in form and content acceptable to Lessor, relating to the establishment and maintenance of the excludibility from gross income of the interest component of Rental Payments under any Tax-Exempt Lease for federal income tax purposes.

If Lessee breaches the covenant contained in this Paragraph with respect to a Tax-Exempt Lease, the interest component of Rental Payments under such Tax-Exempt Lease may become includible in gross income of the owner or owners thereof for federal income tax purposes. In such event, Lessee agrees to pay promptly after any such determination of taxability and on each Rental Payment date thereafter to Lessor an additional amount determined by Lessor to compensate such owner or owners for the loss of such excludibility (including, without limitation, compensation relating to interest expense, penalties or additions to tax), which determination shall be conclusive (absent manifest

additional amount payable by Lessee pursuant to this Paragraph 12 as provided in a Tax-Exempt Lease shall be payable solely from Legally Available Funds.

It is Lessor's and Lessee's intention that each Tax-Exempt Lease not constitute a "true" lease for federal income tax purposes and, therefore, it is Lessor's and Lessee's intention that Lessee be considered the owner of the Equipment under each Tax-Exempt Lease for federal income tax purposes; *provided, however, that nothing in this paragraph shall affect the characterization of the transactions contemplated by each Lease for*

**13. Use of Equipment, Inspection and Reports.** During the term of each Lease, Lessee shall be entitled to quiet enjoyment of the Equipment identified therein and may possess and use the Equipment in accordance with such Lease, *provided that Lessee is in compliance in all respect; with the terms of such Lease and that such possession and use are in conformity with all applicable laws, any insurance policies and any installation requirements (including environmental specifications) or warranties of the manufacturer, seller and/or supplier with respect to the Equipment: identified in such Lease.* Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Equipment under each Lease. Lessor shall have the right, upon reasonable prior notice to Lessee and during regular business hours, to inspect the Equipment at the premises of Lessee or wherever the Equipment may be located. Lessee shall promptly notify Lessor of any alleged encumbrances on the Equipment identified in any Lease or any accident allegedly resulting from the use or operation thereof or any claim relating thereto.

During the term of each Lease and at Lessor's request, Lessee shall provide Lessor, no later than 10 days prior to the end of each Fiscal Period (commencing with the Lessee's first Fiscal Period during which a Schedule Funding Date occurs), with current budgets or other proof of appropriation for the ensuing Fiscal Period and such other information relating to Lessee's ability to continue the term of each Lease for the next succeeding Renewal Term as may be reasonably requested by Lessor.

During the term of each Lease and at Lessor's request, Lessee shall furnish or cause to be furnished to Lessor, at Lessee's expense, as soon as available and in any event not later than 180 days after the close of each Fiscal Period, the audited financial statements of Lessee as at the close of and for such Fiscal Period, all in reasonable detail, audited by and with the report of Lessee's auditor.

During the term of each Lease and at Lessor's request, Lessee shall promptly furnish to Lessor a list of those officials or Officers of Lessee who are duly authorized to execute and deliver, for and on behalf of Lessee, this Agreement, any Schedule, any Certificate of Acceptance or otherwise perform acts and execute documents and agreements relating to any Lease.

**14. Security Agreement; Further Assurances.** To secure the performance of all of Lessee's obligations under each Schedule of the related Lease, Lessee grants; to Lessor, and Lessor shall have and retain, a security interest constituting a first and exclusive lien on the Equipment delivered under each respective lease, on all attachments, repairs, replacements and modifications thereto or therefor and on any proceeds therefrom; *provided, however, that such grant of a security interest shall not apply with respect to any portion of Equipment consisting of computer software that is subject to a license that prohibits such grant of a security interest with respect to the licensed software. Any portion of Equipment consisting of computer software that is subject to such a prohibition in the related license shall be subject to such separate rights and remedies as may be agreed upon by Lessor and Lessee with the consent of the software li-*

for) noting Lessor's interest thereon, opinions of counsel, notices and similar instruments, in form satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its security interest in the Equipment under each Lease or for the confirmation or perfection of each Lease and Lessor's rights under each Lease. Upon the occurrence of an Event of Default or an Event of Nonappropriation under a Lease or in the event that Lessee refuses or is otherwise unwilling to execute and file financing statements to which Lessor is entitled in accordance with such Lease within ten days after Lessor's written request to

Commercial Code or signed by Lessor as Lessee's attorney-in-fact.

**15. Risk of Loss.** All risk of loss, damage, theft or destruction to each item of Equipment under each Schedule and each Lease shall be borne by Lessee. No such loss, damage, theft or destruction of the Equipment under any Lease, in whole or in part, shall impair the obligations of Lessee under any Lease (including, but not limited to, the obligation to pay Rental Payments under each such Lease when due), all of which shall continue in full force and effect subject to the terms of the applicable Lease. If (a) the Equipment or any portion thereof under a Lease is destroyed (in whole or in part) or is damaged by fire or other casualty or (b) title to, or the temporary use of, the Equipment or any part thereof under a Lease is taken under the exercise of the power of eminent domain, Lessee shall immediately notify Lessor. Lessee and Lessor shall cause the Net Proceeds of any insurance claim or condemnation award to be applied, at Lessor's option, to (i) the prompt repair, restoration, modification or replacement of the Equipment so affected or (ii) the payment in full of any then applicable Prepayment Option Amount. Any balance of Net Proceeds remaining after completion of such work or payment of such Prepayment Option Amount shall be paid promptly to Lessee. If the Net Proceeds are insufficient to pay the costs of such repair, restoration, modification or replacement or to pay such Prepayment Option Amount in full, Lessee shall, at Lessor's direction, either complete the work or pay any then applicable Prepayment Option Amount in full and in either case pay any cost in excess of the amount of Net Proceeds, but only from Legally Available Funds.

**16. Insurance.** In the event that Lessee is not self-insured as hereinafter provided, Lessee, at its expense, shall throughout the term of each Lease keep the Equipment thereunder insured against theft, fire, collision (in the case of vehicles) and such other risks as may be customary for each item of Equipment in the amounts and for the coverage set forth in *Exhibit 1* to the applicable Schedule, with carriers acceptable to Lessor, under a policy or policies containing a loss payable endorsement in favor of Lessor, and affording to Lessor such additional protection as Lessor shall reasonably require. Lessee shall further, at its expense, maintain in effect throughout the term of each Lease a policy or policies of comprehensive public liability and property damage insurance in the amounts and for the coverage set forth in *Exhibit 1* to the applicable Schedule, with carriers satisfactory to Lessor. All such insurance shall name Lessor as an additional insured. The policies required hereby shall provide that they may not be canceled or materially altered without at least 30 days prior written notice to Lessor. Lessee shall deliver to Lessor copies or other evidence satisfactory to Lessor of each insurance policy and each renewal thereof. Failure by Lessor to request evidence of such insurance policies or renewals, or otherwise to verify the existence of such insurance, shall not constitute a waiver of the requirements hereof. Lessor shall have the right, on behalf of itself and Lessee, to make claim for, receive payment of and execute and endorse all documents; checks or drafts received in payment for loss or damage under said insurance policies. If Lessee is self-insured with respect to equipment such as the Equipment under a Lease, Lessee shall maintain during the term of such Lease an actuarially sound self-insurance program in form satisfactory to Lessor and shall provide evidence thereof in form and substance satisfactory to Lessor.

**17. Maintenance and Repairs.** Lessee shall use the Equipment under each Lease in a careful and proper manner, in compliance with all applicable laws and regulations and, at its expense, keep and maintain the Equipment under each Lease in good repair and working order, performing all maintenance and servicing necessary to maintain the value and utility of the Equipment, reasonable wear and tear excepted. Without the prior written consent of Lessor, Lessee shall not make any alterations, modifications or attachments to the Equipment under any Lease which cannot be removed without materially damaging the functional capabilities, economic value or utility of such Equipment.

**18. Taxes.** Unless Lessee has provided Lessor with evidence necessary to sustain an exemption therefrom, Lessee shall timely pay all assessments, license fees, taxes (including sales, use, excise, personal property, ad valorem, stamp, documentary and other taxes) and all other governmental charges, fees, fines or penalties whatsoever, whether payable by Lessor or Lessee, now or hereafter imposed by any governmental body or agency on or relating to the Equipment under each Lease, the Rental Payments under each Lease or the use, registration, rental, shipment, transportation, delivery, ownership or operation of the Equipment under each Lease and on or relating to each Lease; *provided, however, that the foregoing shall not include any federal, state or local income or franchise taxes of Lessor.*

**19. Lessor's Performance of Lessee's Obligations.** If Lessee shall fail duly and promptly to perform any of its obligations under a Lease, Lessor may, at its option, perform any act or make any payment that Lessor deems necessary for the maintenance and preservation of the Equipment under such Lease and Lessor's interests therein, including, but not limited to, payments for satisfaction of liens, repairs, taxes, levies and insurance. All expenses incurred by Lessor in performing such acts and all such payments made by Lessor together with late charges described in Paragraph 20 below as provided in each Lease, and any reasonable legal fees incurred by Lessor in connection therewith, shall be payable by Lessee to Lessor on demand. The performance of any act or payment by Lessor as aforesaid shall not be deemed a waiver or release of any obligation or default on the part of Lessee.

**20. Late Charges.** Should Lessee fail to duly pay any part of any Rental Payment or other sum to be paid to Lessor under a Lease (including, but not limited to, any amounts due as a result of Lessor's exercise of its rights under Paragraph 25 hereof) within 10 days after the date on which such amount is due under such Lease, then Lessee shall pay to Lessor late charges on such delinquent payment from the due date thereof until paid at the rate of 18% per annum or the highest rate permitted by law, whichever is less.

**21. Indemnification.** Lessee assumes liability for, agrees to and does hereby indemnify, protect and keep harmless Lessor and its agents, employees, officers, directors, parents, subsidiaries and stockholders from and against any and all liabilities, obligations, losses, damages, injuries, claims, demands, penalties, actions, costs and expenses (including reasonable attorney's fees), of whatsoever kind and nature, arising out of the use, condition (including, but not limited to, latent and other defects and whether or not discoverable by Lessee or Lessor), operation, ownership, selection, delivery, storage, leasing or return of any item of Equipment, regardless of where, how and by whom operated, or any failure on the part of Lessee to accept the Equipment under any Lease or otherwise to perform or comply with any conditions of any Lease. Lessee is an independent contractor and nothing contained in any Lease shall authorize Lessee or any other person to operate any item of Equipment so as to incur or impose any liability or obligation for or on behalf of Lessor. *Notwithstanding anything in any Lease to the contrary, any indemnity amount payable by Lessee as described in this Paragraph 21 and as provided in the applicable Lease shall be payable solely from Legally Available Funds and only to the extent authorized by law.*

**22. No Offset; Unconditional Obligation.** Each Lease is "triple net" and Lessee's obligation to pay all Rental Payments and Additional Payments under each Lease shall be absolute and unconditional under any and all circumstances subject to the terms and conditions of each Lease. Without limiting the generality of the foregoing, Lessee shall not be entitled to any abatement of rent or reduction thereof or setoff against rent, including, but not limited to, abatements, reductions or setoffs due to any present or future claims of Lessee against Lessor under any Schedule, any Lease, under this Agreement or otherwise; nor, except as otherwise expressly provided in a Lease, shall any Lease terminate, or the respective obligations of Lessor or Lessee

be otherwise affected, by reason of any failure of the Equipment under such Lease to perform in the manner or to the extent that Lessee anticipated or to achieve cost or other savings that Lessee anticipated, any defect in or damage to or loss or destruction of all or any of the Equipment under any Lease from whatsoever cause, the taking or requisitioning of the Equipment under any Lease by condemnation or otherwise, the lawful prohibition of Lessee's use of the Equipment under any Lease, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Agreement, any Schedule or any Lease, of lack of right, power or authority of Lessor to enter into this Agreement, any Schedule or any Lease or any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessor or Lessee or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Rental Payments and Additional Payments payable by Lessee under each Lease shall continue to be payable in all events unless the obligation to pay the same shall expire or be terminated pursuant to such Lease (including upon the occurrence of an Event of Nonappropriation thereunder) or until the Equipment thereunder has been returned to the possession of Lessor as provided in such Lease (for all purposes of each Lease, any item of Equipment shall not be deemed to have been returned to Lessor's possession until all of Lessee's obligations with respect to the return, transportation and storage thereof have been performed). To the extent permitted by applicable law, Lessee hereby waives any and all rights that it may now have or that at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender any Lease or any of the items of Equipment thereunder, except in accordance with the express terms of each Lease.

**23. Representations and Warranties of Lessee.** Lessee hereby represents and warrants to and agrees with Lessor that:

(a) Lessee is a state or a political subdivision thereof with the meaning of Section 103(c) of the Code.

(b) Lessee has the power and authority under applicable law to enter into the transactions contemplated by this Agreement, each Schedule and each Lease and has been duly authorized to execute and deliver this Agreement and each Lease and to carry out its obligations under each Schedule and each Lease.

(c) All requirements have been met and procedures have occurred in order to ensure the enforceability of this Agreement, each Schedule and each Lease, and Lessee has complied with such public bidding requirements, if any, as may be applicable to the transactions contemplated by this Agreement, each Schedule and each Lease.

(d) Lessee is not subject to any legal or contractual limitation or provision of any nature whatsoever that in any way limits, restricts or prevents Lessee from entering into this Agreement, any Schedule or any Lease or performing any of its obligations under this Agreement, any Schedule or any Lease, except to the extent that such performance may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

(e) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting Lessee, nor to the best knowledge of Lessee is there any basis herefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement, any Schedule, any Lease or any other agreement or instrument to which Lessee is a party and which is used or contemplated for use in the consummation of the transactions contemplated by this Agreement, any Schedule or any Lease. All authorizations, consents and approvals of governmental bodies or agencies required in connection with the execution and delivery by Lessee of this Agreement, each Schedule and each Lease or in connection with the carrying out by Lessee of its ob-

ligations hereunder and thereunder have been obtained, except with respect to annual or biennial budgeting and appropriation procedures as required by State law relating to each Lease.

(f) The entering into and performance of this Agreement, each Schedule and each Lease will not violate any judgment,

order, law or regulation applicable to Lessee or result in any breach of, or constitute a default under, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of Lessee or on the Equipment under any Lease pursuant to any indenture, mortgage, deed of trust, bank loan or credit agreement or other instrument to which Lessee is a party or by which it or its assets may be bound, except as provided in each Lease with respect to the granting of security interests in and to the Equipment therein described.

(g) Lessee is acquiring the Equipment under each Schedule and the related Lease for use within its geographical boundaries.

(h) The useful life of the Equipment identified in each Schedule will not be less than the stated full term of the applicable Lease, including all contemplated Renewal Terms.

(i) Lessee expects to have made sufficient appropriations or expects to have other Legally Available Funds to pay all Rental Payments due during the Initial Term under each Lease.

(j) During the five years prior to the date hereof, Lessee has not failed (for whatever reason) to appropriate amounts sufficient to pay its obligations that are subject to annual or biennial appropriation.

**24. Events of Default.** Each of the following events constitutes an "Event of Default" with respect to a Lease:

(a) Lessee fails to pay in full the Rental Payment due under such Lease on any date upon which such Rental Payment is due;

(b) Lessee fails to comply with any other agreement or covenant of Lessee under such Lease for a period of 30 days following receipt of written notice of violation of such agreement or covenant and demand that such violation be remedied;

(c) Lessee institutes any proceedings under any bankruptcy, insolvency, reorganization or similar law or a receiver or similar officer is appointed for Lessee or any of its property;

(d) any warranty, representation or statement made in writing by or on behalf of Lessee in connection with such Lease is found to be incorrect or misleading in any material respect on the date made;

(e) actual or attempted sale, lease or encumbrance of any of the Equipment under such Lease or the making of any levy, seizure or attachment thereof or thereon; or

(f) any event of default occurs under any other Lease.

**25. Repossession and Lessor's Other Rights Upon Event of Default or Event of Nonappropriation.** Immediately upon the occurrence of an Event of Default under a Lease or immediately after the expiration of the Initial Term or any Renewal Term under a Lease during which an Event of Nonappropriation occurs, Lessor may terminate the affected Lease or Lessee's rights thereunder and in any such event repossess the Equipment under such Lease, which Lessee hereby agrees, at its expense, to surrender promptly to Lessor at such location in the continental United States as Lessor shall direct. Such right of repossession and other rights as specifically provided in this Paragraph 25 shall constitute the sole remedies for Lessee's failure to make payments or otherwise perform its obligations when required under a Lease. If Lessor is entitled to repossess the Equipment under a Lease, Lessee shall permit Lessor or its agents to enter the premises where the affected Equipment is then located. In the event of any such repossession, Lessee shall execute and deliver such documents as may reasonably be required to transfer title to and possession of the Equipment under the affected Lease to Lessor, free and clear of all liens and security interests to which such Equipment may have become subject.

Any termination of a Lease at Lessor's option as described in this Paragraph 25 and as provided in the applicable Lease shall take effect at the end of the Initial Term or the Renewal Term